



# PERSI

Public Employee Retirement System of Idaho

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## Disability Retirement Benefits

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If you become disabled and are unable to work, the PERSI Base Plan offers disability retirement benefits. These monthly benefits are available for as long as you remain disabled.

- Disability requirements
- Applying for disability benefits
- Death benefits while on disability

The PERSI Choice Plan 401(k) does not offer disability benefits, but you may withdraw your Choice Plan funds if disabled.

- Choice Plan withdrawals during disability

# PERSI Disability Benefits

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## Base Plan Disability Retirement

If your career is cut short because of a permanent disability, the PERSI Base Plan can help by paying you a monthly disability benefit if you meet eligibility requirements.

### Disability Requirements

Disability for retirement purposes is a physical or mental impairment which is considered total and permanent and prevents you from earning a livelihood.

Temporary disability benefits are not available under the retirement law. Permanent incapacity is a prerequisite to approval of a disability retirement application.

To be eligible for PERSI disability retirement:

- You must be totally and permanently disabled as a result of a physical or mental disease or injury while an active member, AND
- Your disability must result in substantially all avenues of employment being reasonably closed, AND
- You must have five years of service.
- You may be eligible from the first day on the job if you are disabled due to work-related causes.

Based on medical and other evidence, the Retirement Board or its agent will determine whether or not you are eligible for disability retirement.

Disabilities resulting from service in the Armed Forces or from an intentionally self-inflicted injury are excluded from a disability retirement benefit.

### Disability Allowance Formula

A disability retirement allowance is calculated using the formula on the next page.

If you have less than 360 months of service as of the date you are eligible for disability retirement, you will be given credit for the months of service you would have earned from the date of disability to the date you would have reached Service Retirement Age (65 for general members/60 for police/firefighters) had you not become disabled (360 months of credited service maximum). In other words, we will give you up to 30 years of credit or to age 65 for general members (age 60 for police/firefighters), whichever is less.

## Disability Retirement Formula

Your Base Plan disability retirement benefit is based on your Highest Average Monthly Salary (gross salary) over a Base Period and your total Months of Service. A Base Period is the period of consecutive months during which you received your Highest Average Monthly Salary (Chart A). This is usually at the end of your career, but may have occurred earlier. The number of months used in a Base Period has changed over the years, improving the benefit formula. To find the number of months used in your Base Period, find what was, or will be, your date of last contribution (the date you stop working).

$$\begin{array}{rcl}
 & \text{Average Monthly Salary} & \\
 & \text{During Base Period (A)} & \\
 \times & \text{Multiplier (B)} & \\
 \times & \text{Months of Service} & \\
 \hline
 = & \text{Annual Benefit} & \\
 \div & 12 \text{ Months} & \\
 \hline
 = & \text{Monthly Benefit} & 
 \end{array}$$

### The formula used to calculate your Base Plan disability retirement benefits

$$\begin{array}{rcl}
 \text{Your Average Monthly Salary} & & \\
 \text{During Base Period (A)} & & \underline{\hspace{2cm}} \\
 \\ 
 \text{Multiplier (B)} & \times & \underline{\hspace{2cm}} \\
 \\ 
 & = & \underline{\hspace{2cm}} \\
 \\ 
 \text{Months of Service} & \times & \underline{\hspace{2cm}} \\
 \\ 
 \text{Annual Benefit} & = & \underline{\hspace{2cm}} \\
 \\ 
 & \div 12 & \\
 \\ 
 \text{Monthly Benefit} & = & \underline{\hspace{2cm}}
 \end{array}$$

Your benefit will only be computed using the formula in Idaho law at the time of your last contribution. You must be working on or after the effective date of a formula for those factors to apply to your benefit.

### A

#### Average Monthly Salary During Base Period (gross salary)

Your Highest Average Salary over this many Consecutive Months

Date of Your Last Contribution	Number of Consecutive Months of Highest Average Salary to use in your Formula
Up to September 30, 1992 .....	60-month base period
October 1, 1992 to September 30, 1993 .....	54-month base period
October 1, 1993 to September 30, 1994 .....	48-month base period
October 1, 1994 and after .....	42-month base period

### B

#### Multiplier

##### Date of Your Last Contribution to PERSI

	Use this Multiplier if you are a <u>General Member</u>	<u>Police/Fire Member</u>
Up to September 30, 1992	1.667%	2.000%
October 1, 1992 to September 30, 1993	1.750%	2.075%
October 1, 1993 to September 30, 1994	1.833%	2.150%
October 1, 1994 to June 30, 2000	1.917%	2.225%
July 1, 2000 and after	2.000%	2.300%

### Example

If you are a general member and have 120 months of service and become disabled at age 50, we will add 180 months (12 months x 15 years to age 65). This will give you 300 months service for your disability retirement.

The disability allowance produced by the benefit formula will not be reduced regardless of your age at the time you are eligible for disability retirement.

### How To Apply For Disability Retirement

You must meet disability eligibility requirements while you are an active PERSI member. Contact the PERSI office in your area to determine if you meet initial eligibility requirements to apply for disability retirement. If you are eligible, we will connect you with our third-party disability management company, VPA, who will assist you through the application and review process.

VPA will send you several forms to complete including: 1) Employee's Statement of Disability, 2) Training and Educational Experience Questionnaire, 3) Daily Activities Questionnaire, and 4) Attending Physician's Statement. With the information provided by you and your physician, VPA will determine your eligibility for disability retirement. The entire determination process may take several months. You may contact PERSI or VPA at any time during the process if you have questions.

### Medical Examinations

You will be required to provide medical information and may be required to undergo medical examinations both before and after the disability determination.

Refusal to submit to a medical examination, if requested before the beginning of a disability retirement, or at any reasonable time thereafter, will be considered proof that you are not disabled.

### When Disability Allowances Begin

A disability allowance is payable on the first of the month following the latest of:

- The date salary, sick leave, or temporary disability benefits sponsored by your employer stop; OR
- The completion of a five-calendar-month waiting period following your last day of employment.

If you receive extra compensation or a lump sum payment during your waiting period, PERSI is required to use that income to determine the date your salary ceased. To do this, we will "run out" that lump sum at your current rate of pay. A lump sum could include but is not limited to: vacation pay, a contract pay-off, bonus pay, personal leave days, or severance pay. Your disability benefit would commence the first of the month after all this income has run out.

### How Long Disability Allowances Continue

You may receive a disability allowance until the first of the month following whichever occurs first:

- The date of your death, OR

- The date your disability ceases, OR
- The date you would have been eligible for Service Retirement if you had remained an active member.

If your disability allowance is discontinued because you have reached Service Retirement Age, your benefit will be converted to a Service Retirement allowance, and you will be provided with options on different ways to draw the allowance.

### Death Benefits Payable While On Disability Retirement

If you die while on disability retirement, or while waiting for disability determination, and had named your spouse as beneficiary, your spouse has the option of a monthly benefit for his or her lifetime, or a lump-sum death benefit consisting of two times the amount in your Base Plan account at the time of disability retirement minus any amount paid to you.

**Example:**

$$\begin{aligned}
 & \$60,000 \quad \text{In your Base Plan account at time of disability} \\
 & \quad \times 2 \\
 & = \$120,000 \\
 & \quad - \$45,000 \quad \text{Paid to you while on disability} \\
 & = \$75,000 \quad \text{Death benefit payable to your beneficiary}
 \end{aligned}$$

If your spouse is not your beneficiary, the beneficiary may take a lump-sum payment of two times the amount in your Base Plan account at the time of disability retirement minus any amount paid to you, or may waive his/her right to the benefit and opt to provide your spouse with a monthly benefit for his or her lifetime.

If you have no spouse, your beneficiary receives a onetime payment of two times the amount in your Base Plan account at the time of disability retirement minus any amount paid to you. Generally, if you've been on disability retirement more than three years there would be no money left in your account so there would be no death benefit payment for your beneficiary.

# Choice Plan Withdrawals During Disability

The PERSI Choice Plan 401(k) does not provide disability retirement benefits, but if you end PERSI covered employment, you may withdraw your Choice Plan funds. As long as you have ended PERSI employment, you do not need to wait to be approved for the PERSI Base Plan disability to receive a Choice Plan distribution.

The withdrawal options that are available to you depend on your age and account balance. Depending on your individual circumstances, you may choose from a number of payment options including:

- a lump sum;
- monthly installment payments;
- a rollover to an eligible retirement plan {401(a), 401(k), 403(b), 457 or pre-tax IRA};
- purchase of Base Plan service;
- leaving your assets in the plan; or
- a combination of options.

If your account balance is more than \$5,000, and you are retiring, disabled, a spouse beneficiary, or if you have attained the Choice Plan's Normal Retirement Age (50), you may choose any of the following options or a combination of options. If your account balance is \$5,000 or less, you may not choose installment payments, but may choose any of the other options or a combination of them. Options are based on your account balance on the date you request a distribution.

## **Purchase Base Plan Service**

You may convert all or a portion of your Choice Plan account to purchase service under the PERSI Base Plan. To take advantage of this option, you must be retiring and must have completed the necessary "Purchase of Service" paperwork within the 90-day period preceding the date of retirement.

## **Lump Sum Payment Directly To You**

Any amounts payable that are eligible for rollover distributions will be subject to federal income tax withholding of up to 20% and applicable state income tax withholding. You may also incur a federal 10% early distribution penalty if you are under age 59 1/2. (You may be exempt from the 10% penalty if the Social Security Administration determines that you are disabled. See below.) Distributions that are not eligible for rollover generally will be subject to a 10% federal withholding, unless you elect a different rate.

## **Leave Your Funds in the Choice Plan**

You may leave your funds in the Choice Plan until a later date or until retirement. The funds will be subject to minimum distribution requirements when you turn age 70 1/2. By leaving money in the Plan, you defer paying taxes. You will be responsible for the annual record keeping fees to maintain this account (currently \$30 annually). The fees will be assessed against the account monthly, beginning the calendar month starting 90 days after you terminate or retire.

## **Rollover to an IRA or Eligible Retirement Plan**

You may transfer your Choice Plan account balance via direct rollover into an Eligible Retirement Plan {401(a), 401(k), 403(a), 403(b) and 457} or Individual Retirement Account (IRA). By transferring the money via direct rollover, you defer paying taxes.

## **Installment Payments**

You may receive monthly payments of your Choice Plan account. Monthly installments can be paid:

- 1) in a fixed monthly amount (not to exceed 120 months); or
- 2) in substantially equal payments over a fixed period of time not to exceed the joint life expectancy of you and your beneficiary.

Installment payments are available only upon retirement, attainment of age 50, disability, or your death if your beneficiary is your surviving spouse. This option is only available if the balance is more than \$5,000. You will be responsible for the record keeping fees to maintain this account (currently \$30 annually) during the time the installment payments are being made. The installment option may be affected by minimum distribution requirements when you turn age 70 1/2.

### **Social Security Administration Disability Exempts 10% Early Withdrawal Penalty**

You may qualify for a disability distribution from the Choice Plan if the Social Security Administration determines that you are disabled. The advantage of being disabled under Social Security is that you are exempt from the 10% early distribution penalty for lump sum payments. You must provide PERSI with a copy of your Social Security Disability Insurance Notice of Award letter to receive the exemption.

### **Spousal Consent**

If you are married at the time of distribution, your spouse must agree in writing to the selected distribution. The PERSI Choice Plan Request for Distribution/Rollover form contains a section for spousal consent and a Notary Public signature witness.



## Other Disability Related Information

### Worker's Compensation

Your Disability Retirement amount may be offset by lump-sum and periodic Worker's Compensation Time Lost Benefits. If Worker's Comp benefits are paid, your PERSI disability benefit will be reduced by the amount of the Worker's Comp benefit not being offset by Social Security. You will be asked to provide PERSI with specific dollar offset amount information from Social Security.

### NCPERS Insurance

If you are enrolled in the NCPERS life insurance program, you may continue in the program if you become disabled. To continue coverage without having to pay premiums, you should file a Waiver of Premiums Notice through your employer. To qualify for a waiver of premiums you must become disabled before age 60. PERSI does not administer NCPERS insurance. Any questions regarding NCPERS should be directed to:

Byerly and Company  
Harlequin Plaza South, Suite 250S  
7600 E. Orchard Road  
Englewood, CO 80111

1-800-525-8056

### Health Insurance Coverage

#### State of Idaho Employees Only

If you are employee of the State of Idaho, you may be able to stay on your employer's health insurance plan for up to 30 months before you must enroll in the state retiree group plan. Contact the Office of Insurance Management at 1-800-531-0597 or 208-334-5315 for more information.

#### School Employees Only

If you are a school employee, you may be eligible to enroll in your employer's retiree health insurance program and have your premiums deducted from your monthly retirement benefit. Contact your school district for more information.

### Taxes On Disability Retirement Benefits

#### Federal Income Tax Withholding

Retirement benefits are generally taxable under IRS tax code. At the time of your retirement, PERSI will provide you with an IRS withholding form W-4P. Unless you specify "no withholding" on the form or choose a specific marital status and number of exemptions, the federal income tax on your monthly benefit will be withheld at the rate appropriate for a married person with three exemptions.

IRS Publication 575 discusses pension and annuity income tax liabilities. PERSI suggests that you read this publication or review it with a tax expert.

Each January, PERSI provides a 1099-R notice to each retiree. This is a statement of the gross allowance



paid to you and taxes withheld for the past year. You will also receive notification any time the net amount of your benefit changes.

Taxes have already been paid on Base Plan contributions made prior to July 1, 1983. If you made contributions prior to that date, a percentage of your monthly retirement allowance will not be taxable until those taxed contributions have been paid out to you.

### **Idaho State Tax**

PERSI retirement benefits paid to Idaho residents are subject to Idaho state income tax, with certain amounts deductible based on individual tax filing status. According to the Idaho Tax Commission, PERSI benefits paid to retirees living outside Idaho are not subject to Idaho state income tax withholding.

PERSI will deduct Idaho state income tax from your retirement payments if you authorize withholding by completing an **RS-322 Tax Withholding** form.

PERSI staff is not qualified to provide individual tax advice or information. Questions concerning taxes should be directed to a tax professional or the appropriate taxing agency.

### **False Claims for Benefits**

By Idaho law, it is a misdemeanor for any individual to file false claims for benefits from PERSI. This includes all PERSI members, retirees, spouses, and other family members or beneficiaries.

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Information in this brochure is based on 2002 law, thus some information in this brochure may not apply in specific cases. This publication is intended to explain PERSI law as simply and accurately as possible. If there is any discrepancy between this publication and the law, the provisions of the law will prevail. Firefighters' Retirement Fund, Idaho Falls City Police, and Boise City Police members may have different benefits. Contact PERSI for information.

## **PERSI Base Plan**

Boise

1-800-451-8228 or 208-334-3365

Coeur d'Alene

1-800-962-8228 or 208-769-1474

Pocatello

1-800-762-8228 or 208-236-6225

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## **PERSI Choice Plan 401(k)**

Toll Free 1-866-ID-PERSI

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## **Both Plans**

[www.persi.state.id.us](http://www.persi.state.id.us)